

DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION
STATE PROCUREMENT BUREAU

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**Insurance Requirements
State Procurement Bureau
Department of Administration
Updated March 2004**

In an effort to allow greater flexibility in establishing appropriate insurance requirements, the State Procurement Bureau (SPB), in cooperation with the Risk Management and Tort Defense Division (RMTD), has developed the following guidelines for selecting insurance requirements for bids and proposals issued under the Montana Procurement Act:

STEP ONE: Determine what type of insurance should be required.

There are three separate types of insurance requirements that agencies should evaluate to fit specific insurance needs: Commercial General Liability, Automobile Liability, and Professional Liability. Agencies should work with the SPB or agency legal counsel to determine which insurance types should be included in the solicitation document. The SPB will contact the RMTD if questions arise about coverages, endorsements, and/or certificates of insurance. The three insurance types are:

- **Commercial General Liability Insurance** should be required when contractors perform work on state premises or property, other than the routine delivery of supplies. This coverage should be required where supplies or services are procured that may seriously damage information technology networks or other important, critical, or complex systems or processes and thereby damage or create liability for the State.
- **Automobile Liability Insurance** should be required if the contractor will be transporting state employees, state guests, state clients, or state personal property as part of the contract.
- **Professional Liability Insurance** should be required for anyone who gives advice or provides services on which others have reason to rely and may be subject to legal action if the advice or service proves faulty.

STEP TWO: Evaluate the risk associated with the contract.

The RMTD recommends that state contracts require limits of \$1,000,000 per occurrence/\$2,000,000 per aggregate for Commercial General Liability insurance and Professional Liability insurance. For Automobile Liability insurance, the State is offering only the intermediate limit choice set out below that allows split limit coverage or a combined single limit of \$1,000,000 per occurrence. The reason is that these limits most closely coincide with the State's tort damage caps. However, RMTD recognizes that the State enters into contracts in which the standard levels of coverage may be excessive with certain contracts. Agencies should work with agency legal counsel to determine if the level of risk associated with the contract is low, moderate, or high. The size of the contract in and of itself should not determine coverage limits. Any questions should be directed to RMTD (444-2421). If exceptions are made to the \$1,000,000/\$2,000,000 recommended levels, RMTD must be notified.

RMTD has developed the following guideline as an aid in determining appropriate insurance requirements for various risk levels:

	LOW RISK	MODERATE RISK	HIGH RISK
CGL (commercial general liability)	\$300,000 per occurrence \$600,000 aggregate year	\$500,000 per occurrence \$1,000,000 aggregate year	\$1,000,000 per occurrence \$2,000,000 aggregate year
AUTO (automobile liability)	Split limits of \$500,000 per person (personal injury), \$1,000,000 per accident occurrence (personal injury), and \$100,000 per accident occurrence (property damage), OR combined single limits of \$1,000,000 per occurrence to cover such claims as may be caused by an act, omission, or negligence of the Contractor or its officers, agents, representatives, assigns or subcontractors.		
PL (professional liability)	\$300,000 per occurrence \$600,000 aggregate year	\$500,000 per occurrence \$1,000,000 aggregate year	\$1,000,000 per occurrence \$2,000,000 aggregate year

Please note that the level of risk may vary within the same contract if more than one type of insurance is required.

Standard language for insurance requirements is located on the SPB website at:
<http://discoveringmontana.com/doa/gsd/procurement/standardcontractlanguage.asp>T.